Mercedes-Benz UK Pension Scheme Implementation Statement for year ended 5 April 2023

Purpose

This statement provides information on how, and the extent to which, the Trustee's policies in relation to the exercising of rights (including voting rights) attached to the Scheme's investments and engagement activities have been followed during the year ended 5 April 2023 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

The Trustee's policies in relation to ESG and voting issues were first documented in their Statement of Investment Principles dated September 2020 and remains in the updated Statement of Investment Principles dated October 2022.

The Trustee's policy

The Trustee believes that good stewardship can enhance long-term portfolio performance, and is therefore in the best interests of the Scheme's beneficiaries and aligned with their fiduciary duty.

The Trustee believes that environmental, social and corporate governance ("ESG") and ethical issues can affect the performance of investment portfolios and should therefore be considered as part of the Scheme's investment process.

The Trustee has given its investment managers full discretion when evaluating ESG and ethical issues and in exercising rights and stewardship obligations relating to the Scheme's investments taking account of current best practice, including the UK Corporate Governance Code and the UK Stewardship Code.

The Trustee encourages its managers who are regulated in the UK to comply with the UK Stewardship Code. The Trustee will assess the appointed listed equity manager strategies for their approach to stewardship (voting and engagement) by monitoring policies against the UK Stewardship Code principles and seeking reporting from managers on sustainability issues, voting and engagement activity on an annual basis.

The Scheme's investment managers exercise voting rights and undertake engagement (collaborative or other) in accordance with their own corporate governance policy including escalation procedures to protect investment value. Each manager's policy is expected to be provided to the Trustee. In particular, where the manager believes that these issues will impact on performance or risk, the manager will be expected to take them into account in their decision making. The Trustee reviews these policies through a review of stewardship compliance. The Trustee will, where it is deemed necessary, engage the managers in discussion on their policies. It will however be made clear to the managers that any decisions taken by the managers should be in the best long-term financial interest of the Scheme and its members.

The Trustee will assess the appointed manager strategies for their approach to ESG integration, using their consultant's ESG ratings, on an annual basis and review the ESG rating against comparable investment managers when appointing new manager strategies. In general, the Trustee will take into account the ESG policies of the managers at the time of selection and will aim to achieve a "green" rating (or at least an "amber" rating in non-equity asset classes, according to their consultant's ESG rating system).

Reporting on voting and engagement activities should be provided to the Trustee by the managers on a regular basis, which should detail a summary of the engagement on financially material matters such as strategy, capital structure, management of conflicts of interest, and ESG issues in relation to issues of both debt and equity. The Trustee requires the investment managers to report on significant votes made on behalf of the Trustee (specifically when abstaining or voting against management). Should the Trustee become aware of an investment manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustee's expectation and the investment guidelines, then the Trustee may consider terminating the manager's contract.

The Trustee has set specific restrictions on the stocks that can be held within the Scheme's segregated portfolios. At present this applies only to the buy and maintain credit portfolio managed by Insight. The manager has been provided with a detailed list of stocks to exclude from the portfolio, in line with the Daimler Pension Policy.

The Trustee does not explicitly consult members when making investment decisions.

Manager selection exercises

One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustee seeks advice from their adviser on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

Whilst there were no manager selection exercises, the Scheme saw a de-merger which resulted in £23.85m transferred out of the Scheme as part of the Trucks split. Whilst most of the assets were taken proportionally with strategic benchmarks, the Trustee agreed to tweak the strategic allocations to increase the benchmarks of the Abrdn Multi Sector Private Credit and Aviva REaLM Multi Sector Funds to 5% each, reducing the benchmark of the BlackRock Multi Strategy Credit Fund to 8%.

Ongoing governance

The Trustee, with the assistance of the Investment Sub-Committee and their adviser, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement.

Further, the Trustee has set its adviser the objective of ensuring that any selected managers reflect the Trustee's views on ESG (including climate change) and stewardship.

Beyond the governance work currently undertaken, the Trustee believes that its approach to, and policy on, ESG matters will evolve over time based on factors including developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually. Stewardship and ESG matters are therefore regularly discussed at Investment Sub-Committee meetings. In particular, whilst the Trustee has not, to date, introduced specific stewardship priorities, it will monitor the results of those votes deemed by the managers to be most significant in order to determine whether specific priorities should be introduced and communicated to the managers.

Adherence to the Statement of Investment Principles

During the reporting year the Trustee followed its policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme has specific allocations to a domestic equity fund as well as an ESG tilted global equity fund. Both of these funds are invested passively with BlackRock Investment Management. A summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is set out overleaf (note that this is sourced from Blackrock and so sets out Blackrock's policies in these areas, and not the Trustee's or that of XPS):

BlackRock Aquila Life UK Equity Index fund

Voting Information
The manager voted on 96% of resolutions of which they were eligible out of 14903 eligible votes.

Investment Manager Client Consultation Policy on Voting
BlackRock believes that companies are responsible for ensuring they have appropriate governance structures to serve the interests of shareholders and other key stakeholders. We believe that there are certain fundamental rights attached to shareholding. Companies and their boards should be accountable to shareholders and structured with appropriate checks and balances to ensure that they operate in shareholders' best interests to create sustainable value. Shareholders should have the right to vote to elect, remove, and nominate directors, approve the appointment of the auditor, and amend the corporate charter or by-laws. Consistent with these shareholder rights, we believe BlackRock has a responsibility to monitor and provide feedback to companies, in our role as stewards of our clients' investments. BlackRock Investment Stewardship ("BIS") does this through engagement with management teams and/or board members on material business issues including environmental, social, and governance ("ESG") matters and, for those clients who have given us authority, through voting proxies in the best long-term economic interests of our clients. We also participate in the public debate to shape global norms and industry standards with the goal of a policy framework consistent with our clients' interests as long-term shareholders. BlackRock looks to companies to provide timely, accurate, and comprehensive reporting on all material governance and business matters, including ESG issues. This allows shareholders to appropriately understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or the approach taken is inconsistent with our view of what supports sustainable long-term value creation, we will engage with a company and/or use our vote to encourage a change in practice. BlackRock views engagement as an important activity; engagement provides us with the opportunity to improve our understanding of the business and ESG risks and opportunities that are material to the companies in which our clients invest. As long-term investors on behalf of clients, we seek to have regular and continuing dialogue with executives and board directors to advance sound governance and sustainable business practices, as well as to understand the effectiveness of the company's management and oversight of material issues. Engagement is an important mechanism for providing feedback on company practices and disclosures, particularly where we believe they could be enhanced. We primarily engage through direct dialogue but may use other tools such as written correspondence to share our perspectives. Engagement also informs our voting decisions. BlackRock's approach to corporate governance and stewardship is explained in our Global Principles. These high-level Principles are the framework for our more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The Principles describe our philosophy on stewardship (including how we monitor and engage with companies), our policy on voting, our integrated approach to stewardship matters and how we deal with conflicts of interest. These apply across relevant asset classes and products as permitted by investment strategies. BlackRock reviews our Global Principles annually and updates them as necessary to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year.

Our Global Principles available on our website at https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf
Investment Manager Process to determine how to Vote
The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Our voting guidelines are market-specific to ensure we take into account a company's unique circumstances by market, where relevant. We inform our vote decisions through research and engage as necessary. Our engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. We may also update our regional engagement priorities based on issues that we believe could impact the long-term sustainable financial performance of companies in those markets. We welcome discussions with our clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in our Global Principles, BlackRock determines which companies to engage directly based on our assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of our engagement being productive. Our voting guidelines are intended to help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We inform our vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy ourselves, but the client would engage a third-party voting execution platform to cast the votes.
How does this manager determine what constitutes a 'Significant' Vote?
BlackRock Investment Stewardship prioritizes its work around themes that we believe will encourage sound governance practices and deliver sustainable long-term financial performance. Our year-round engagement with clients to understand their priorities and expectations, as well as our active participation in market-wide policy debates, help inform these themes. The themes we have identified in turn shape our Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which we look at the sustainable long-term financial performance of investee companies. We periodically publish "vote bulletins" setting out detailed explanations of key votes relating to governance, strategic and sustainability issues that we consider, based on our Global Principles and Engagement Priorities, material to a company's sustainable long-term financial performance. These bulletins are intended to explain our vote decision, including the analysis underpinning it and relevant engagement history when applicable, where the issues involved are likely to be high-profile and therefore of interest to our clients and other stakeholders, and potentially represent a material risk to the investment we undertake on behalf of clients. We make this information public shortly after the shareholder meeting, so clients and others can be aware of our vote determination when it is most relevant to them. We consider these vote bulletins to contain explanations of the most significant votes for the purposes of evolving regulatory requirements.
Does the manager utilise a Proxy Voting System? If so, please detail
BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment

colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

While we subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

In summary, proxy research firms help us deploy our resources to greatest effect in meeting client expectations

• BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty to and enhance the value of clients' assets, using our voice as a shareholder on their behalf to ensure that companies are well led and well managed

• We use proxy research firms in our voting process, primarily to synthesise information and analysis into a concise, easily reviewable format so that our analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial

• We do not follow any single proxy research firm's voting recommendations and in most markets, we subscribe to two research providers and use several other inputs, including a company's own disclosures, in our voting and engagement analysis

• We also work with proxy research firms, which apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision

• The proxy voting operating environment is complex and we work with proxy research firms to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
J Sainsbury Plc	Shareholder Resolution on Living Wage Accreditation	Against	Fail
BlackRock recognizes the importance of frontline workers to Sainsbury's long-term success, and they see pay and benefits more broadly as a critical issue for companies to be managing effectively. However, BlackRock did not support the proposal given Sainsbury's strong positive track record on offering above-market employee benefits and because they believe the legally binding proposal is unduly constraining on management decision-making on a critical operational and financial issue given that it would require management to cede control of worker pay to a third-party entity.			
Royal Dutch Shell Plc	Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions	Against	Fail
BlackRock voted against this resolution because they prefer the annual "say on climate" advisory vote offered by management as a mechanism for shareholders to give feedback on the company's climate strategy.			

Rio Tinto Plc	Re-Election of Board Members	For	Pass
BlackRock supported all directors up for re-election. After closely analysing each candidate's profile and engaging with the group– and in consideration of the changes made both at the board and management level following the Juukan Gorge controversy – BlackRock determined it is in the best interests of their clients as long-term shareholders to support board continuity			
Barclays Plc	Approve Barclays' Climate Strategy, Targets and Progress 2022	For	Pass
BlackRock supported this proposal in recognition of the company's disclosed plan to manage climate-related risks and opportunities and the company's progress against this plan. They do, however, believe there are areas where the company could enhance its disclosure.			
Ocado Group Plc	Approve Remuneration Policy and Amend Value Creation Plan	Against	Pass
BlackRock did not support the extension of the Value Creation Plan introduced in 2019, and the Remuneration Policy of which it formed a significant part, due to their concerns about its appropriateness as a tool for measuring performance and incentivizing management.			

BlackRock ACS World ESG Equity Tracker Fund

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The manager voted on 95% of resolutions of which they were eligible out of 5653 eligible votes.			
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Company	Voting Subject	How did the Investment Manager Vote?	Result
Bank of Montreal	Adopt a Policy to Ensure the Bank's Financing is Consistent with IEA's Net Zero Emissions by 2050 Scenario	Against	Fail
BlackRock did not support this shareholder proposal because it is overly prescriptive, unduly constraining on management and board decision-making,and would limit the company's ability to support an orderly energy transition. Further, they consider the company to have made a clear commitment to align their			

XPS Investment

business model with the transition to a net zero economy, which includes greenhouse gas (GHG) emissions reductions targets.			
Equinor ASA	Establish a State Restructuring Fund for Employees who Working in the Oil Sector	Abstain	Fail
BlackRock did not support this shareholder proposal based on the assessment that they are overly prescriptive in nature, unduly constraining on management, and in some cases redundant given the company's existing practices and disclosure.			
The Home Depot, Inc.	Elect Director Albert P. Carey	Against	Pass
Nominee serves on an excessive number of public company boards, which Blackrock believes raises substantial concerns about the director's ability to exercise sufficient oversight on this board.			
Woodside Petroleum Ltd.	Approve Contingent Resolution - Capital Protection	Against	Withdrawn
The request is overly prescriptive and risks unduly restricting management's ability to make business decisions.			
Chevron Corporation	Adopt Medium and Long-Term GHG Emissions Reduction Targets	Against	Fail
BlackRock did not support this shareholder proposal because they believe the company has appropriately responded to shareholder concerns by setting scope 1, 2 and3 GHG reduction targets. At this time, Blackrock believes the company has demonstrated through their disclosure the appropriate oversight and mitigation of scope 3 emissions and we recognize the progress Chevron has made on this topic. Blackrock also acknowledge the current complexities surrounding scope 3 emissions targets for the oil and gas industry in particular.			

Signed: ________________________, Chair of Trustees

Date: ___________________________